



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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July 30, 2007

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: **AVIVA FAMILY AND CHILDREN'S SERVICES CONTRACT – A
WORKFORCE INVESTMENT ACT PROGRAM PROVIDER**

We have conducted a program, fiscal and administrative contract review of Aviva Family and Children's Services (Aviva or Agency), a Workforce Investment Act (WIA) program provider.

Background

The Department of Community and Senior Services (DCSS) contracts with Aviva, a private non-profit organization to provide and operate the WIA Youth and Foster Youth Programs. The WIA Youth Program is a comprehensive training and employment program for in-school and out-of-school youth ages 14 to 21 years old. The WIA Foster Youth Program is a comprehensive training and employment program for foster youths with special needs ages 14 to 18 years old. Aviva is located in the Third District.

Aviva is compensated on a cost reimbursement basis. Aviva's contract was for \$135,000 for Fiscal Year 2006-2007.

Purpose/Methodology

The purpose of the review was to determine whether Aviva complied with its contract terms and appropriately accounted for and spent WIA funds in providing services to

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eligible participants. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines.

Results of Review

The Agency maintained appropriate documentation to support the participants' eligibility in receiving program services. Aviva also maintained adequate internal controls to ensure revenue was properly recorded and deposited timely. However, Aviva overbilled DCSS \$3,258. Specifically, Aviva billed:

- \$2,217 in supportive services that were already billed as training materials, utilities, incentives and consultant expenditures.
- \$611 for expenditures that exceeded their budget.
- \$380 in repairs, maintenance, security and rubbish disposable expenditures which were already included in their monthly rent.
- 100% of an employee's pay increase when the employee only worked 60% on the WIA program, resulting in an overbilling of \$50.

Details of our review along with recommendations for corrective action are attached.

Review of Report

We discussed our report with Aviva on June 12, 2007. In their attached response, Aviva concurred with our findings and recommendations. We also notified DCSS of the results of our review.

We thank Aviva for their cooperation and assistance during this review. We will follow up on our recommendations during next year's monitoring review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

- c: William T Fujioka, Chief Executive Officer
Cynthia Banks, Director, Department of Community and Senior Services
Andrew Diamond, President and CEO, Aviva Family and Children's Services
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
AVIVA FAMILY AND CHILDREN'S SERVICES
FISCAL YEAR 2006-07**

ELIGIBILITY

Objective

Determine whether Aviva Family and Children's Services (Aviva or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We reviewed the case files for 12 (18%) of the 66 youth program participants that received services from July through December 2006 for documentation to confirm their eligibility for WIA program services.

Results

All 12 participants met the eligibility requirements for the WIA program.

Recommendation

There are no recommendations for this section.

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

Verification

We reviewed the documentation contained in the case files for 12 (18%) participants that received services from July through December 2006. We also interviewed one participant.

Results

The one program participant interviewed confirmed that the services she received met her expectations. In addition, the case files for all 12 program participants contained documentation to support the services billed to DCSS.

Recommendation

There are no recommendations for this section.

CASH/REVENUE

Objective

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. Determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the bank reconciliation for October 2006.

Results

Aviva maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner. However, 50 (25%) of 203 checks totaling \$11,204 were outstanding more than 90 days as of October 2006. In addition, 24 of the 50 outstanding checks totaling \$2,192 were issued in 2004 and 2005. Subsequent to our review, Aviva voided all 50 outstanding checks, and adjusted the amounts charged to DCSS for checks pertaining to the WIA program.

Recommendation

- 1. Aviva management ensure that reconciling items are resolved in a timely manner.**

EXPENDITURES/PROCUREMENT

Objective

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation for all 31 (100%) non-payroll expenditure transactions billed by the Agency from August through October 2006, totaling \$4,626.

Results

Aviva overbilled DCSS \$2,508 in operating expenditures for Fiscal Year (FY) 2006-07. Specifically, Aviva billed:

- \$2,133 in supportive services that are already billed as training materials, utilities, incentives and consultants expenditures.
- \$259 in repairs, maintenance, security and rubbish disposable expenditures which are included in their monthly rent.
- \$116 for fingerprinting and criminal clearance fees not included in their budget.

In addition, Aviva did not submit monthly invoices in a timely manner. September and October invoices were submitted in November and December, respectively. The County contract requires invoices to be submitted no later than the 10th calendar day of the subsequent month. This issue was also noted in the prior year's monitoring report.

Recommendations**Aviva management:**

2. **Repay DCSS \$2,508.**
3. **Ensure that expenditures are accurately billed to DCSS.**
4. **Ensure that monthly invoices are submitted to DCSS no later than the 10th calendar day of the subsequent month.**

INTERNAL CONTROLS/CONTRACT COMPLIANCE**Objective**

Determine whether the contractor maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed the Agency's policies and procedures manuals, conducted an on-site visit and tested transactions in various areas such as expenditures, payroll and personnel.

Results

Aviva maintained sufficient internal controls over its business operations.

Recommendation

There are no recommendations for this section.

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether Aviva's fixed assets and equipment purchases made with WIA funds are used for the WIA program and are safeguarded.

Verification

We reviewed the Agency's inventory listing and performed an inventory of one (100%) item purchased with WIA funds, totaling \$1,729.

Results

Aviva used the equipment purchased with WIA funding for the WIA program, and the item was safeguarded.

Recommendation

There are no recommendations for this section.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll expenditures are appropriately charged to the WIA program. In addition, determine whether personnel files are maintained as required.

Verification

We traced and agreed the payroll expenditures totaling \$10,228 invoiced for all five employees for October 2006 to the Agency's payroll records and time reports. We also reviewed the personnel files for the five staff assigned to the WIA program.

Results

Aviva appropriately charged payroll expenditures to the WIA program. However, Aviva charged 100% of a retroactive salary increase paid to one staff to the WIA program. The employee only worked 60% on the WIA program resulting in an overpayment of \$50. Aviva management indicated that the overbilling was the result of clerical error.

Recommendation

5. Aviva management refer to Recommendation 3 above and repay DCSS \$50.

COST ALLOCATION PLAN

Objective

Determine whether Aviva's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the plan to appropriately allocate shared program expenditures.

Verification

We reviewed the Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency in September and October 2006 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

Aviva's Cost Allocation Plan was prepared in compliance with the County contract and expenditures were appropriately allocated.

Recommendation

There are no recommendations for this section.

CLOSE-OUT REVIEW

Objective

Determine whether the Agency's FY 2005-06 final close-out invoice was reconciled to the Agency's financial accounting records.

Verification

We traced and agreed the Agency's FY 2005-06 general ledger to the Agency's final close-out invoice for FY 2005-06. We also reviewed a sample of expenditures incurred in March through June 2006.

Results

Aviva overbilled DCSS \$700 in operating expenditures for FY 2005-06. Specifically, Aviva billed:

- \$495 for computer expenditures that exceeded their budget.
- \$121 for repairs, maintenance, security and rubbish disposable expenses which were already included in the Agency's monthly rent fee of \$500.
- \$84 for other supported services already billed as utilities or applicable to another program.

Recommendations**Aviva management:**

6. **Repay DCSS \$700.**
7. **Ensure that the Agency did not bill DCSS for unallowable incentives to participants.**
8. **Ensure that costs billed to DCSS do not exceed their approved budgeted amounts.**

PRIOR YEAR FOLLOW-UP**Objective**

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor-Controller.

Verification

We verified whether the outstanding recommendations from the FY 2005-06 monitoring review were implemented. The report was issued in July 2006.

Results

The prior year's monitoring report contained nine recommendations. Aviva implemented eight (89%) of the nine recommendations. As indicated earlier, the one recommendation related to timely invoices, noted during our prior monitoring review was not implemented.

Recommendation

9. **Aviva management implement the timely invoices recommendation from the FY 2005-06 monitoring report.**



Aviva Family and Children's Services

Incorporated as Hamburger Home. Founded 1915

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June 20, 2007

J. Tyler McCauley
County of Los Angeles Department
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Kenneth Hahn Hall of Administration
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RE: Aviva Family and Children's Services Contract – Workforce
Investment Act Programs

We have received your results form the review you conducted on our
Workforce Investment Act (WIA) contract.

I would like to take the time to respond to the over billings noted within
the review.

The items and responses are as follows:

Cash/Revenue

It was noted that we had 50 checks that were more than 90 days
outstanding.

When the auditors reviewed the bank reconciliation, we did have those
items, but as mentioned, we did clear the items out by 12/31/06.

Expenditures/Procurement

It was noted that we over billed DCSS \$2,508 for separate items.

1. \$2,133 in supportive services. We did inadvertently over bill the
contract. We had a new staff take over the billing and added items up
twice, once separately and than again with the total line labeled "support
services".

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2. \$259 in repairs and maintenance. Although we do charge rent, it does not cover all costs, and with unexpended funds still available, these charges were expensed. We were told by CSS that we might be able to do a modification to have these costs included.
3. \$116 for fingerprinting. These costs were for a WIA employee. We were told by CSS that we might be able to do a modification to have these costs included.

We will reimburse CSS for \$2,133 for over billing. \$375 as mentioned above will be submitted with a modification or the year to eliminate the liability.

Payroll and Personnel

The auditor found that we had over billed \$50 for salaries allocated over the stated percentage of allocation.

We mistakenly bill the overage in employee time to the grant.

We will reimburse CSS for the \$50.00

Close-Out Report

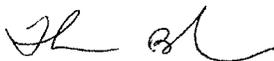
It was noted that we over-billed DCSS \$700 in operating expenditures as follows:

1. \$495 for computer expenditures that exceeded our budget. This expense was a allowable expense under A-133. We did have unexpended funds available in other line items, but did not formally go through the budget modification process. CSS is aware of this.
2. \$121 for repairs and maintenance, security and rubbish expenses. . Although we do charge rent, it does not cover all costs, and with unexpended funds still available, these charges were expensed.
3. \$84 for other supported services already billed. We did mistakenly over bill for this amount.

We will reimburse CSS for \$84 for over billing. \$616 as mentioned above will be submitted with a modification or the year to eliminate the liability.

Thank you for the opportunity to address these issues, and correct them as we continue to service this contract. We will reimburse CSS for the total of \$2,217.

Sincerely,



Thomas Bernal
Chief Financial Officer